

# **KENTUCKY DEPARTMENT OF EDUCATION**

## **STAFF NOTE**

### **Review Item:**

KDE Audit Updates

### **Applicable Statute(s) or Regulation(s):**

KRS 45.149

### **History/Background:**

At the October 2006 KBE meeting, a staff note was presented to the KBE Audit Committee resulting in discussion and action items to consider and approve. Several audits have been completed, or are currently in the process since that time. These audits are conducted by the Office of the Auditor of Public Accounts (“APA”) as part of their normal statutory functions.

***Existing Policy.*** The Internal Audit Charter authorizes the use of the APA to fulfill the internal audit role of KDE.

### **Update on audits since October 2006:**

The APA audits performed at the request of the Kentucky Board of Education were as follows:

- ✓ The APA was engaged to review the new Harlan County High School construction project, due to the increasing cost of the project. The purpose of this review was solely to assist the Kentucky Board of Education in determining if the Harlan County High School construction project complied with laws and regulations. This work is complete and attached for your review.

The APA audits performed at the request of the Kentucky Department of Education were as follows:

- ✓ The APA was engaged to conduct a procedures review of the attendance process currently used to audit school attendance. The APA reviewed the Attendance Audit Program used by KDE field staff to perform attendance audits; reviewed the procedures guide, laws and regulations governing school attendance; reviewed the report template used in preparing the reports, attendance audit documentation maintained by KDE and observed the attendance audit process in Madison, Woodford, and Franklin Counties. This work is complete and is attached for your review.
- ✓ The KDE-AUP Desk Reviews for FY 2006 are all complete. This type of procedure is conducted periodically and involves the APA verifying that local CPA audits of school districts complied with federal standards. The APA reviewed the audits submitted by the school districts and other entities that expended Federal funds passed through from the

Kentucky Department of Education. The school districts are required to submit an annual audit to KDE in accordance with statutes KRS 156.200 & 156.265. The APA performs the desk reviews over these audits when received to ensure compliance with relevant reporting standards and Federal subrecipient monitoring requirements set forth in OMB Circular A-133. The results of the desk reviews are then submitted to KDE for follow-up with the CPAs who performed the audits. The KDE-AUP Desk Reviews for FY 2006 is attached.

- ✓ The APA performed specific agreed upon procedures over the monthly claims for reimbursement submitted under the Child and Adult Care Food Program (CACFP) for federal fiscal year ended September 30, 2006. KDE's Division of Audit and Transportation Services-Office of District Support Services had previously performed these services for the Division of Nutrition and Health Services, but it was deemed more efficient to have the APA perform this service. The purpose of this engagement is to assist KDE in determining if the for-profit childcare centers and adult daycare centers are complying with federal regulations set forth at 7 CFR Part 226. The APA reviewed 11 sponsors with 56 sites during their current engagement. Findings associated with these reviews are being reported to KDE for follow-up with the sponsors. The audits of the individual centers are complete and have been submitted to KDE for follow-up with the center sponsors. These audits are attached.

The APA statewide audits that included a review of the Department of Education included:

- ✓ The annual Statewide Single Audit for fiscal year 2006 was completed. It resulted in six (6) reportable conditions ("findings"). See the attached Statewide Single Audit for FY 2006, pages 96-118, for KDE specific findings.

Each finding is an observation and recommendation by the APA of where internal controls or compliance can be improved over the current practice. KDE is engaged in ongoing discussions with the APA on best practice and any substantive changes may roll into the work conducted on the annual 2007 audit.

- ✓ The annual Statewide Single Audit for fiscal year 2007 is ongoing as of the date of submission of this staff note.

The USDOE completed an audit of the following federal programs:

- ✓ Title I
- ✓ Homeless
- ✓ Even Start
- ✓ Neglected and Delinquent

USDOE issued a preliminary report on 4/5/06; a KDE response was submitted on 5/17/06; and USDOE deemed KDE compliant on July 3, 2007. See the attached "USDOE Compliance Letter – July 3, 2007".

Potential new item for consideration by the Board:

- Should the Kentucky Department of Education request the APA to conduct a procedures review of current protocol governing use of activity funds by local school districts pursuant to 702 KAR 3:130 and recommend potential improvements to the process?

**Contact Person:**

Robin Fields Kinney  
Office of Internal Administration and Support  
(502) 564-1976  
[Robin.Kinney@education.ky.gov](mailto:Robin.Kinney@education.ky.gov)

Hiren Desai  
Financial and Materials Management  
(502) 564-2351  
[Hiren.Desai@education.ky.gov](mailto:Hiren.Desai@education.ky.gov)

---

**Deputy Commissioner**

---

**Interim Commissioner of Education**

**Date:**

October 2007